



TO: Charles C. S. Iannello – Senior Economist, Policy Program, EDIV

FROM: Nicholas Shea – Manager Regulatory Policy

DATE: December 6, 2004

SUBJECT: Comments on the Third Revised Draft Distributed Resource Interconnection Rule

Ameren has reviewed the third draft rule entitled Interconnection of Distributed Resources to Electric Utility Distribution Systems ("Draft Rule") which was issued by the Staff of the Illinois Commerce Commission ("Staff") for review on October 25, 2004. Please find attached a redline version of the Draft Rule which includes Ameren's comments on the Draft Rule and specific recommended changes to the language in the Draft Rule. Also, please find attached a copy of the proposed flowchart with minor recommended changes.

In addition, your October 25, 2004 cover letter included six questions to which you were seeking input. Below are the six questions, followed by Ameren's responses to the questions.

1. Is it logical to separate the analyses into a Facilities Study and Feasibility/Impact Study, as has been done in the current draft, or are the analyses required to complete the studies normally performed as part of a single, all-encompassing study? Is it possible that combining the studies would be less costly than keeping the studies separate or vice versa?

Ameren's Response: The Draft Rule should parallel the proposed FERC small generator interconnection process to provide consistency and uniformity to the generation connection process. This will benefit both generators and utilities.

With respect to the process currently in the Draft Rule, the two studies should remain as separate steps toward establishing generation connection. The initial Feasibility/Impact Study allows the Interconnection Provider to prepare a list of the general requirements for connection and to identify orders of magnitude relative to the proposed plan. This first allows the generator to evaluate the proposed project in order to decide whether to proceed. Accordingly, the Feasibility Study would then identify specific issues and provide the specific details needed for connection and would address short circuit solutions, stability

analysis, power flows, voltage drop and flicker, protection and set points, coordination studies, and grounding reviews.

If the two studies were combined, the generator would face much higher costs in the initial stages prior to confirming whether such connection is economically reasonable. As we have experienced, the generator is often looking for orders of magnitude to make a decision whether to move a project forward. By requiring all studies to be completed at the initial stage will force the generator to pay up-front for a project that may be not proceed. Considering that the time frames related to both of these studies is relatively short, the extra time to perform the studies separately is not significant.

Specific suggested changes have been included in the comments on the Draft Rule. These suggested changes will help to further differentiate between the Facility and the Feasibility/Impact Studies and will provide a better end-product for the generator.

2. The Draft Rule essentially fast tracks proposed interconnections that pass the Primary and/or Secondary Screening Criteria. If a unit fails the Primary and Secondary Screening Criteria, then the interconnection provider has much greater discretion over, the need for, and scope of, additional studies and, ultimately, approval of the interconnection application. What can be done to better define the decision criteria that Interconnection Providers employ when evaluating proposed interconnections that fail both screens? What can be done to add more certainty to the process, so the interconnection customer does not face a "black box" of potential costs and extended timeframes?

Ameren's Response: The Primary and Secondary Screens effectively identify generation that can be connected without individualized analysis. And we agree that it would be an advantage to both generators and Interconnection Providers if all generation configurations could be so easily connected to the electric grid. But the fact is that generation configurations vary widely and no simple screening process or set of rules can correctly deal with the multitude of variations. Due to the variety of options, equipment, designs, etc. related to generation connection and parallel operation, it is not possible to standardize every scenario.

Asking how to avoid a "black box" of potential costs and extended time frames presupposes that generation which fails a screen is automatically facing higher costs and long time frames. This is not the case. The Interconnection Provider must be able to analyze a generation package for its impact to the electric system and for its impact on safety and reliability. These are not issues which can be compromised. However, this analysis will only require those changes that are electrically necessary and will provide the estimated costs and timeframes, determined during the study process, that allow the Interconnection Provider to insure safe and reliable connections.

Additionally, if the Interconnection Customer believes the Interconnection Provider is creating excessive costs and extended timeframes, they have the option of complaining to the ICC.

3. If you are advocating an interconnection queue, explain why a queue is necessary. Also, provide specific language that would govern the order of the queue. Be sure that your proposed queue language accounts for the possibility of one interconnection customer applying before another but being held up longer due to study requirements.

Ameren's Response: The process currently established in the Draft Rule is sufficient. The processing of interconnection applications in sequential order is consistent with Section xxx.050(f) of the Draft Rule requiring that the Interconnection Provider shall process all applications in a non-discriminatory manner and in the order they are determined to be complete. No further requirements should be necessary. The study process for interconnection requests is an ongoing procedure and longer study requirements for one Interconnection Customer does not mean all other studies are put on hold. The Interconnection Provider will study requests in the order received, but it is logical to assume that some studies may be completed sooner than others due to the amount of complexity in the specific request. It is an extremely remote possibility that one Interconnection Customer's request will directly conflict with a second request. However, in such limited cases we believe the ICC would be in the best position to offer guidance and determine cost allocations.

4. Describe proposed interconnections, either hypothetical or actual, that involve a potential violation on an affected system (i.e. a system not owned or operated by interconnection provider) and describe how the coordination of studies addressing the impact of the proposed interconnection on affected systems.

Ameren's Response: Municipal power systems, electric power cooperative systems and investor owned utility systems are interconnected at the transmission and distribution voltage levels. The transmission systems are operated as interconnected networks, and many of the 34 kV and lower systems are operated as a network. As a result, the addition of generating resources on any of these systems can impact the adjacent systems. System protection and protective device coordination can be impacted with changes in power flow and available fault current. In addition, generator connections to the transmission system can potentially affect the ability to add distributed resources without system modifications.

The Draft Rule proposes that the Interconnection Provider will perform an analysis of changes necessary to an Affected System due to the Interconnection Customer's generation. This is not an acceptable methodology. The Interconnection Provider cannot be responsible for an Affected System's electric system. The only true responsible party is the Affected System itself. Further, placing the Interconnection Provider in the position of designing, coordinating, analyzing or reviewing an Affected System's electric system causes the Interconnection Provider to act as a consultant to the Interconnection Customer. For many reasons, both logistical and legal, this is not acceptable.

When considering the interconnection of generation, the Interconnection Customer is faced with the need to work with many different parties. One of which is the owner of the electric system. There should be no artificial requirement that this contact be limited to one entity. The Interconnection Customer can easily work directly with an Affected System owner in the same manner that he works with the Interconnection Provider.

Although the Interconnection Customer may not know who the Affected Systems are, the Interconnection Provider can provide this information. And the Interconnection Provider can share information with the Affected System to allow efficient analysis. But that is where the Interconnection Provider's role should end. The Interconnection Customer must be the ultimate contact and responsible party for changes required on an Affected System. In addition, cooperation by an Affected System may be influenced by who has jurisdictional control, i.e., FERC, ICC, etc.

Proposed changes to the language of the Draft Rule (submitted in conjunction with this document) provides a recommended methodology for the Interconnection Customer to coordinate with the Affected System.

5. What is the universe of "affected systems" (e.g. municipal systems, transmission systems governed by RTO or ISO, non-affiliated distribution systems)? Briefly describe how you envision coordination between the interconnection provider and each type of affected system identified. Provide examples of coordination between the interconnection provider and "affected systems" when distributed resources that are currently installed were proposed and studied for interconnection.

Ameren's Response: The universe of affected systems is all those noted. If the Interconnection Provider identifies a potential affected system during the study process, the need for the Interconnection Customer to contact the Affected System owner will be noted in the study. The Interconnection Customer should then be responsible for contacting the Affected System. This process is typical for all types of Affected Systems.

At this time we do not have examples of past Distributed Resources that required coordination with an Affected System.

6. Provide any other comments that are not related to specific sections of the Draft.

Ameren's Response: As a general drafting rule, it is highly recommended that all terms which are defined in Section XXX.010 be also Capitalized in the body of the document. This is a typical mechanism to help the reader confirm that the term being used is a Defined Term and eliminates potential confusion as to a term's meaning. Capitalization also allows the use of a defined term in its generic sense by not capitalizing it for those occasions.

We appreciate Staff's efforts to solicit comments on the Draft Rule and the opportunity to provide input. If you have any questions regarding Ameren's comments or if any additional explanation is needed, please do not hesitate to contact me.

Sincerely,

Nicholas Shea
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